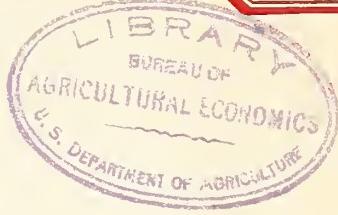


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THE BACKGROUND OF THE WHEAT SITUATION

Prepared by E. J. Working for the Junior Conference
Seventh National 4-H Club Camp, Washington, D. C.
June 15, 1933

The Background of the Wheat Situation

I suppose that whenever anyone is concerned about the wheat situation in these days there are a number of questions which come to his mind. Among them are: Why is it that wheat prices are so low? What can be done about low prices? In discussing the background of the wheat situation with you, I am going to be concerned with the question - Why is it that wheat prices are so low? Perhaps my discussion can be of some help to you in understanding what can be done, but it is Mr. Weaver who is going to talk to you about what may be done in order to help wheat prices.

First of all, who is most concerned with the growing of wheat and with the price received for it. Farmers, of course, but which farmers? In some parts of the country very little wheat is grown, while in other parts every farmer is a wheat raiser. Here is a **chart** which shows by dots where most of the wheat is grown in the United States. There are two regions, of course, which stand out immediately as the most important wheat growing areas; the southwest winter wheat region which centers about Kansas and includes parts of Colorado, Nebraska, Oklahoma and Texas; and the northwest spring wheat area which centers about North Dakota. Montana, South Dakota, and Minnesota, of course, also raise a great deal of spring wheat. As you look the map over a little more carefully you soon see that there is a smaller region which takes in part of Washington, Oregon, and Idaho in which wheat growing is very important, perhaps just as important as it is in Kansas. White wheats are most important in this region but other sorts are also grown. The whole region is of less importance than the first two only because it does not cover so many square miles, not because wheat is of less importance to the people who live there. Then, there is another important wheat growing area, the soft winter wheat region. It extends from the Atlantic Coast in the region of New Jersey, Delaware and Maryland, westward to the Mississippi River and even a little beyond. This whole region produces a great deal of wheat because it is so large, but wheat is not so important a crop to most of the farmers in this soft winter Wheat Belt as it is to most of the farmers in the hard winter, spring wheat or the white wheat regions, for the farmers who grow soft winter wheat raise other crops and live stock so that wheat is not almost their only source of income.

A map showing where wheat was grown 30 years earlier looks very different. In 1899, Kansas, Oklahoma, Texas, Colorado and Nebraska were not growing nearly so much wheat as now, and not much wheat was grown in Montana or western North Dakota. A great deal more wheat was then grown in Ohio and Indiana.

Nor does one have to go clear back to 1899 to find changes in our wheat area. There have been very important changes in recent years also as is shown by the next **chart**. See how the states east of the Mississippi began to reduce their wheat acreage immediately following the war, while in the southwest winter wheat states the trend of acreage was slightly upward. In Minnesota, acreage has shown a downward trend ever since 1911 or 1912, whereas in Montana there was a marked upward trend until 1929. In Nebraska, the total area has not changed greatly though there has been a shift of wheat growing from the eastern to the western part of the State.

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All this gives you some idea of the importance of wheat growing in different parts of the United States and how this importance has changed. Just because wheat is a very important crop in some region now does not mean that it has always been as important in that region or that it always will be as important. There are all sorts of things that happen which may make wheat more or less important. One of the things which has been responsible for the decrease of the wheat area east of the Mississippi is that the raising of corn and hogs or dairying or some other sort of farming has become more profitable. No doubt one reason why wheat growing declined in Ohio and Indiana was that it increased in Kansas, Oklahoma, North Dakota and Montana. One reason that wheat raising increased in those regions was the invention and improvement of the tractor and combine. Almost anything which happens to wheat growing in one part of the United States may affect it in some other part. Furthermore, almost anything that affects wheat growing in one part of the world is likely to have some effect upon it in most other wheat growing regions of the world.

I have here a chart which shows some interesting things about the international trade in wheat during the four crop years 1927-28 to 1930-31. The black circles show the average exports from the principal exporting countries, while the shaded circles show imports of the principal importing countries. The lines connecting them show the amount of exports from and imports to these countries by the regions to which they go or from which they come. Each fine line represents 10,000,000 bushels. Canada, the United States, Argentina and Australia are the largest exporters. However, some wheat is exported from India, northern Africa, and southwestern Europe. Practically all the countries of northern and western Europe import wheat and indeed Europe takes most of the wheat exports of the world. Imports into Brazil, China and Japan are also important however.

From this chart it is apparent that most of the important countries of the world are interested in the world wheat situation because they are affected through the world wide trade in wheat and flour. Of course different countries have somewhat different interests. Some want to buy, others to sell wheat. It is quite natural that people like to buy things as cheaply as they can and to sell things for as much as they can. From this, however, you should not assume that all the countries of the world which are wheat importers like to have wheat prices low. Many of these countries, such as Germany and Italy, are large producers of wheat, and their farmers are just as anxious to have high wheat prices as are farmers in the United States, Argentina, or any other exporting country. The Governments of many of the importing countries have as a result taken steps to limit imports, or in some other way to keep wheat prices within their borders from declining as much as they have in the exporting countries.

So much for the world interest in wheat prices. Let us turn back now to the question of wheat prices themselves and what things influence them. We have here a chart showing wheat prices from July, 1922, down to date, that is through May of this year. No. 2 Hard Winter at Kansas City is shown by the dotted line and the average price of parcels of wheat at Liverpool is shown by the solid line. A lot of people, by the way, do not understand what is meant by parcels of wheat. Wheat is shipped from exporting countries either in cargo lots which means a whole shipload, or in parcel lots which means only part of a shipload. From countries like the United States and Canada most of the wheat is shipped in parcel lots. A

great deal of the wheat shipped from Argentina and Australia is also in parcel lots. The average price at which these parcel lots are sold at Liverpool gives a better series of wheat prices than does one which includes cargoes because the cargoes of wheat arrive more irregularly.

As this chart shows and as you all know, wheat prices have declined a great deal since 1929. Of course, prices had been declining even before 1929. The highest level in recent years was reached in 1925 and from that time up to May 1928 there was a gradual downward trend. Then in 1928-29 there was a very large world crop of wheat. Yields in a number of important wheat growing countries were unusually high, and prices were sharply lower throughout that entire season. The carry-over into the next season was greatly increased.

But when 1929 came along there was a very much smaller crop. At first prices improved, but after January 1930 they declined very rapidly to a short crop and toward the close of the crop year were lower than they had been at any time since the war.

From July 1929 to July 1931, wheat prices in the United States declined by more than 50 percent and the same was true of Liverpool prices. While supplies of wheat were large during the 1930-31 season, they were not large enough to account for any such great decline in prices. We must look to some other causes if we are to explain why wheat prices declined so much.

To a large extent the decline in wheat prices was just simply a part of the decline in the general level of prices which took place during that period. From July 1929 to July 1931 the general level of wholesale prices declined by over 25 percent. Consequently, it seems fair to say that about half of the decline in wheat prices was the result of the general decline in commodity prices - or if you want to call it that, was a result of the rise in the value of gold.

When we study factors affecting prices we have a way of taking account of these changes in the value of gold. Thus, we can take wheat prices and divide them by an index showing the average level of prices of all commodities. The result is what is called either a "deflated" or "adjusted" price - a price of wheat adjusted for changes in the general level of prices. This is what has been done in the next chart. Here, you have the world supplies of wheat (by world is here really meant supplies available to the world outside Russia and China) compared with prices in British markets. You can readily see from this chart that usually when world supplies of wheat increase, this deflated or adjusted price declines. Also when supplies decrease, the price rises.

The reason that British prices were used is that Great Britain is the most important wheat importing country of all the world, and up until the last few months Great Britain has had no sort of import restrictions on wheat which would affect its prices. Consequently, prices in Great Britain were the best indication of the balances between wheat supply and demand conditions throughout the world.

You will notice from this chart, however, that in 1924 wheat prices rose more than you might have expected from the decline in supply. Also, in 1925 and 1926 there was very little decline in prices in spite of an increase in supplies. This is because demand was increasing, a result partly of general business recovery following the war, and partly of a growing population and increasing use of wheat in some countries. On the other hand, in 1930 the prices declined much more than you would expect to result from the increase in supply which occurred that year. This was partly because the world was on the downward swing of the most serious business depression which it has ever known. In the last analysis, wheat is exchanged for other things shoes, lumber automobiles etc., and fewer industrial products were being made with which to purchase wheat.

Another reason was that many countries, through various sorts of import restrictions, were maintaining prices within their borders at levels very much higher than the world price. This was especially true in Germany, France and Italy. As wheat prices began to decline, these countries increased their tariffs and raised other trade barriers against the importation of wheat from the United States, Canada, and the various other exporting countries. I haven't time to speak in detail about just what restrictions have been placed by each of these countries on the wheat trade, nor to explain in detail how each of them has affected the world wheat situation. However, I can illustrate by two charts the sort of thing which has happened.

Here we have a chart which shows the German tariff on wheat from July, 1921 to date. There was no tariff prior to August 1925, then they had a low tariff until 1930, and after that it was rapidly raised to a point of \$1.62 a bushel. Along with the increases in the tariff, other restrictions were placed on the importation and use of wheat and of wheat flour. Mills were allowed to grind only a certain small percentage of foreign grown wheat. Bakers were forced to use potato flour and rye flour in place of wheat flour. As a result of all these restrictions the price of German grown wheat has been maintained at relatively high levels. It is higher now than it was in 1923-24, and nearly as high as it was in the years of high world prices, 1924-25 and 1925-26. The other line on this chart shows how the price of wheat in Germany compares with the prices of imported wheat in Great Britain. You will notice that before the tariff was applied, wheat prices in Germany were low, and that as the tariff has been raised German prices have risen first to a little above the world prices and more recently to about a dollar a bushel higher.

This maintenance of German wheat prices has been accomplished in spite of a decline in the general price level in Germany. If we adjust the money price of German wheat for changes in the price level, we find that during the past 2 years German wheat prices have been higher, in terms of other commodities, than in any previous recent year. This is shown by the next chart. You see that the adjusted price rose to a peak in 1926-1928 and then declined. As it declined, consumption increased. People naturally use more of most commodities when they are cheap, and Germans seem especially likely to use wheat flour instead of rye flour if only wheat is cheap enough in price. But then in 1929-30 when the price of wheat rose again compared with other commodities, German consumption declined. I have estimated that in 1931-32

wheat consumption in Germany was 50,000,000 bushels less than it would have been if no tariff or other restrictions on the use of wheat flour had been applied, and wheat prices had been allowed to decline with world wheat prices. Of course, this high price of wheat has also resulted in increased wheat acreage in Germany, and we estimate that as a result of that, production was increased in 1931-32 by about 70,000,000 bushels.

When we make similar estimates of the effect of trade barriers and other governmental measures which tend to decrease production and increase consumption in the other countries, we arrive at the conclusion that if there had been no restrictions on the trade in wheat during 1931-32, consumption of wheat would have been fully 175,000,000 bushels larger, and supplies would have been fully 225,000,000 bushels smaller. These two combined would have been sufficient to reduce the carry-over by 400,000,000 bushels to wipe out the surplus wheat carry-over under which the world has been suffering.

That is all assuming that there would have been no change in the basic level of world prices. Of course, as a matter of fact, the doing away with trade restrictions would have affected prices as well as carry-over. Just how much of the effect in any given year would be upon carry-over, and how much would be upon prices is uncertain. However, within a very few years at most the world carry-over would be reduced to normal proportions and from then on the full effect of doing away with trade restrictions would be upon prices. Altogether I estimate that the world level of wheat prices, that is prices in importing countries which have no restrictions and in the exporting countries, such as the United States, Canada, and Argentina, would probably be improved as much as 25 cents a bushel.

Now, I do not want you to take that figure as anything very accurate. It is subject to a number of qualifications. But by giving you a definite figure, it may help to show that this matter of tariffs and other trade restrictions is really a very important one.

There is another thing concerning this wheat situation which I think you will be interested in. I have already shown you a chart indicating how the world supply of wheat has increased since 1927. I have said that the 1928 yields were unusually high, but there has been a very important increase in the acreage of wheat in several countries. I have here a chart showing the wheat acreage of the United States compared with that in some of the other important wheat growing countries. You will notice that the United States and other countries all increased acreage from 1924 to 1928. The United States, however, is the only country which has materially decreased acreage since the great price decline started in 1929.

Table 7.-Wheat: Area 1/ in specified countries, 1921-22 to 1932-33

Year begin- ning July	United States	Canada, Argentina and Australia	Europe excluding: Russia Lower Danube	Other Europe	Russia	Others excluding China	World total excluding China
		Million: acres	Million: acres	Million: acres	Million: acres	Million: acres	Million: acres
1921-22	64.6	47.2	15.0	49.2	38.4	48.6	263.0
1922-23	61.4	48.5	16.1	49.1	22.3	51.3	248.7
1923-24	56.9	48.6	16.2	49.9	39.2	55.3	266.1
1924-25	52.5	50.7	18.1	49.3	52.7	53.8	277.1
1925-26	52.4	50.2	18.5	50.8	63.1	58.1	293.1
1926-27	56.8	53.9	18.7	51.3	73.9	58.2	312.8
1927-28	59.6	55.5	18.9	52.4	77.4	55.9	319.7
1928-29	59.3	61.7	19.6	51.8	68.5	59.8	320.7
1929-30	62.7	60.8	18.4	51.7	73.5	59.1	326.2
1930-31	61.1	64.4	20.0	53.7	80.5	58.6	338.3
1931-32	55.3	58.2	20.9	55.0	92.1	62.1	343.6
1932-33	55.2	63.6	18.8	56.1	88.7	62.5	343.9

1/ All figures are harvested areas except in the case of Argentina for which the area sown is used.

The great increase in the wheat acreage for the world outside China from 248,700,000 acres in 1922-23 to 343,900,000 acres in 1932-33 has been due primarily to an increase of 66,400,000 acres in the Russian area. There has, however, also been a significant increase in the acreage of wheat in Canada, Argentina and Australia, the area in these three countries having expanded from 48,500,000 acres in 1922-23 to 62,600,000 in 1932-33. Likewise, both the exporting and importing countries of Europe have increased their area. The decrease in the wheat area of the lower Danube in 1932-33 is the result of unfavorable weather conditions in that year, and hence is not indicative of a downward trend. The United States, however, has shown a decrease from 61,400,000 in 1922-23 to 55,200,000 acres in 1932-33 and this decrease has been due primarily to a reduction of the planted area.

There have been two periods during the past 10 years in which the United States wheat acreage has shown a marked decrease. Following the war, there was a general downward trend which ended in 1924. From then until 1929, the United States joined with the rest of the world in an expansion of the world wheat area, but since 1929 the area in the United States has declined, whereas that of other important wheat growing countries has either increased or remained at about a constant level.

On account of the large abandonment of winter wheat which takes place in the United States from time to time, the trend of acreage is not particularly well shown by the areas harvested, as given above. The areas of the wheat sown in the United States, for the years 1920 to 1933 are as follows:

Year	United States <u>1,000 acres</u>	Year	United States <u>1,000 acres</u>
1920	67,804	1927	65,999
1921	67,377	1928	71,375
1922	67,513	1929	66,517
1923	64,316	1930	66,192
1924	56,030	1931	64,212
1925	61,844	1932	63,078
1926	61,314	1933	<u>1/ 61,485</u>

1/ Acreage of winter wheat sown plus acreage of spring wheat indicated by reports of intentions-to-plant.

The fact that the wheat area of the United States has declined during the past 4 years, while the area in other countries has either or remained about stationary is, no doubt, due to a number of causes. A matter of prime importance however, is that attempts of the government have had little effect in checking the decline of prices received by wheat growers in the United States during the past 5 years, while in every other important wheat growing country there has been effective government aid. In those importing countries of Europe, which are large wheat growers, prices have been maintained at about \$1.00 a bushel higher than the world price.

In the exporting countries of Europe various forms of export dumping or other direct aid to wheat growers has been adopted, and in addition these countries have been active in negotiating preferential treaties to improve the market for their wheat. In Argentina, Australia, and Canada, currency depreciation took place long before it did in the United States, so that the wheat growers of these countries have not felt the full effects of the decline of prices in terms of gold. It is evident, consequently, that whether through import restrictions, export aids or currency depreciation, every important wheat growing country, other than the United States, has taken action which has tended to improve the position of their wheat growers.

In view of these facts, it is not surprising that wheat exports from the United States have fallen off in recent years and that the United States is supplying a much smaller portion of the world market than in former years. The following table compares the net exports of the United States with those of her most important competitors in the world wheat market:

Table 8.-Wheat, including flour: Net exports of specified countries,
1921-22 - 1931-32

Year beginning July	United States	Canada, Argentina, Australia	Lower Danube 1/	Russia	Total countries
	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels	1,000 bushels
	Percent	Percent	Percent	Percent	Percent
1921-22	262,156	410,826	19,856	---	692,838
1922-23	201,978	469,541	11,559	---	683,078
1923-24	131,801	596,739	30,614	21,367	780,521
1924-25	254,601	443,586	22,827	301	728,315
1925-26	92,356	497,296	43,261	27,085	659,998
1926-27	205,896	539,346	44,443	49,200	838,885
1927-28	190,525	546,355	33,325	4,866	775,071
1928-29	142,245	756,241	33,892	124	932,502
1929-30	140,289	405,859	55,788	7,380	609,316
1930-31	112,416	531,054	44,845	111,527	799,842
1931-32	122,911	499,844	82,734	69,737	775,226
1921-22	37.8	59.3	2.9	---	100.0
1922-23	29.6	68.7	1.7	---	100.0
1923-24	16.9	76.5	3.9	2.7	100.0
1924-25	35.0	60.9	4.1	0	100.0
1925-26	14.0	75.3	6.6	4.1	100.0
1926-27	24.5	64.3	5.3	5.9	100.0
1927-28	24.6	70.5	4.3	0.6	100.0
1928-29	15.3	81.1	3.6	0	100.0
1929-30	23.0	66.6	9.2	1.2	100.0
1930-31	14.1	66.4	5.6	13.9	100.0
1931-32	15.8	64.5	10.7	9.0	100.0

1/ Hungary, Yugoslavia, Rumania and Bulgaria.

It is evident that the United States has been losing out as a competitor in the world wheat market. Her position has been even more unfavorable during the 1932-33 season than it was in 1931-32. Indications are that United States net exports this season will not be more than 35,000,000 bushels. In the years 1921-22 to 1931-32, inclusive, the exports of the United States averaged 23.5 percent of the total exports of the countries shown in the table.

I have called to your attention that exports from the United States have declined more than those from other countries; that they have declined more than you might expect in spite of the decline in our acreage, and consequently in our production. What has become of this wheat? Well, there are two things. In the first place we have stored much of it. We have been building up a larger and larger carry-over year after year for the past 5 years. Other countries, especially Canada, have also increased their wheat carry-overs but not as much as the United States. We have been holding stocks of wheat off the market and keeping world prices from going quite as low as they might otherwise have gone. Of course, some time, however, we have got to get rid of this wheat. But then there is another thing which we have done with our wheat. In the past 3 years we have fed a great deal more than we normally do. On the average for these 3 years the amount of wheat fed has probably been larger than normal by about 100,000,000 bushels a year. There are then three things which we can point to which we have done which have contributed to alleviating the wheat situation - three things which we have done more than any other important wheat producing country. We are the only country which has materially reduced her wheat acreage in the past 4 years. We have held more wheat off the market than has any other country in these times of surplus supplies. We have used more wheat for feeding than has any other country. I suspect that the United States will continue to shoulder a large share of the burden in readjusting the world wheat situation.

Finally, there is one more thing which I suspect you would like me to mention. Wheat prices have risen a great deal in the past 3 months. What has caused this? Does it mean that we can sit back and not do anything further about the wheat situation? I should say that there are three things which are primarily responsible for the rise in wheat prices. One of these is the fact that we are harvesting a very small crop of winter wheat this year. However, that fact is not sufficient to cause wheat prices in the United States to be far above prices at Liverpool and other world markets. Ordinarily, wheat prices in the United States must be below prices in Liverpool by about the cost of shipping wheat to Liverpool because a surplus of wheat to export, Liverpool prices must be above ours to bear the cost of shipping. Though we have a short crop this year our carry-over of between 350,000,000 and 400,000,000 bushels will leave us with a large surplus which we could export. I think that if it were not for the expectation of speculators that effective measures of farm relief would be taken, our wheat prices would not now be well above a world market basis.

Finally, there is the matter of inflation. To many people the word inflation has a bad sound to it. The word deflation should have a worse sound, for it is largely as a result of the drastic decline of prices in the past 4 years that we have had such a severe and prolonged business depression. In effect, we in the United States have said in the last few months that we are not going to let the value of our currency continue to increase along with the value of gold if the value of gold is to continue to increase. As long as our money is on a gold basis a decline in the general level of prices and the increasing value of gold and money are the same thing. There are, of course, differences of opinion as to just why gold has increased in value. Some

people say that it is because bank credit has been restricted. Some people say that production of goods has increased more rapidly than the gold supply. My own opinion, and that of a great many other economists, is that it is a very complicated matter. I think that the decline of the price level in recent years is largely the result of the maladjustments in production and trade which were brought about by the World War. These have been complicated and made worse by the war debts and high tariff levels which have made it more difficult for many distressed countries to readjust their balances of payment. Faced with adverse balances of international payments, many countries have struggled to keep from losing all their gold to other countries. They have done this partly by restricting credit and partly by raising tariffs on their imports. This I think is the reason why prices have declined drastically after every great war during the past 130 years.

But to get back to the question of why wheat prices have risen, we have decided in this country, or perhaps our President has decided that we must not let the value of our money increase and the value of our commodities decrease. We must do something to prevent this - something even to raise the price levels somewhat. We have as a result suspended gold payments and our Congress has passed other measures which will help to stabilize the dollar. This expectation of stopping deflation or of having some inflation has brought about the recent rise in wheat prices. Wheat prices at Liverpool have changed very little, in terms of British money, in the last 3 months, but since the value of the dollar relative to the pound has declined, prices of wheat at Liverpool, quoted in terms of the dollar, have risen a good deal. Prices of wheat in the United States have risen still more.

In conclusion, I may say that the recent rise in prices does not mean that we can just sit back and do nothing. Wheat prices in the United States have risen along with other speculative commodity prices only partly because of things which have actually been accomplished which will raise wheat prices. They have risen largely because speculators think that something is going to be done which will make wheat sell for higher prices in the United States. Unless something more actually is done we cannot expect wheat prices to stay as high as they are now during the next 2 years. Of course, eventually prices will improve even if we do not do anything, but that will be a slow process.

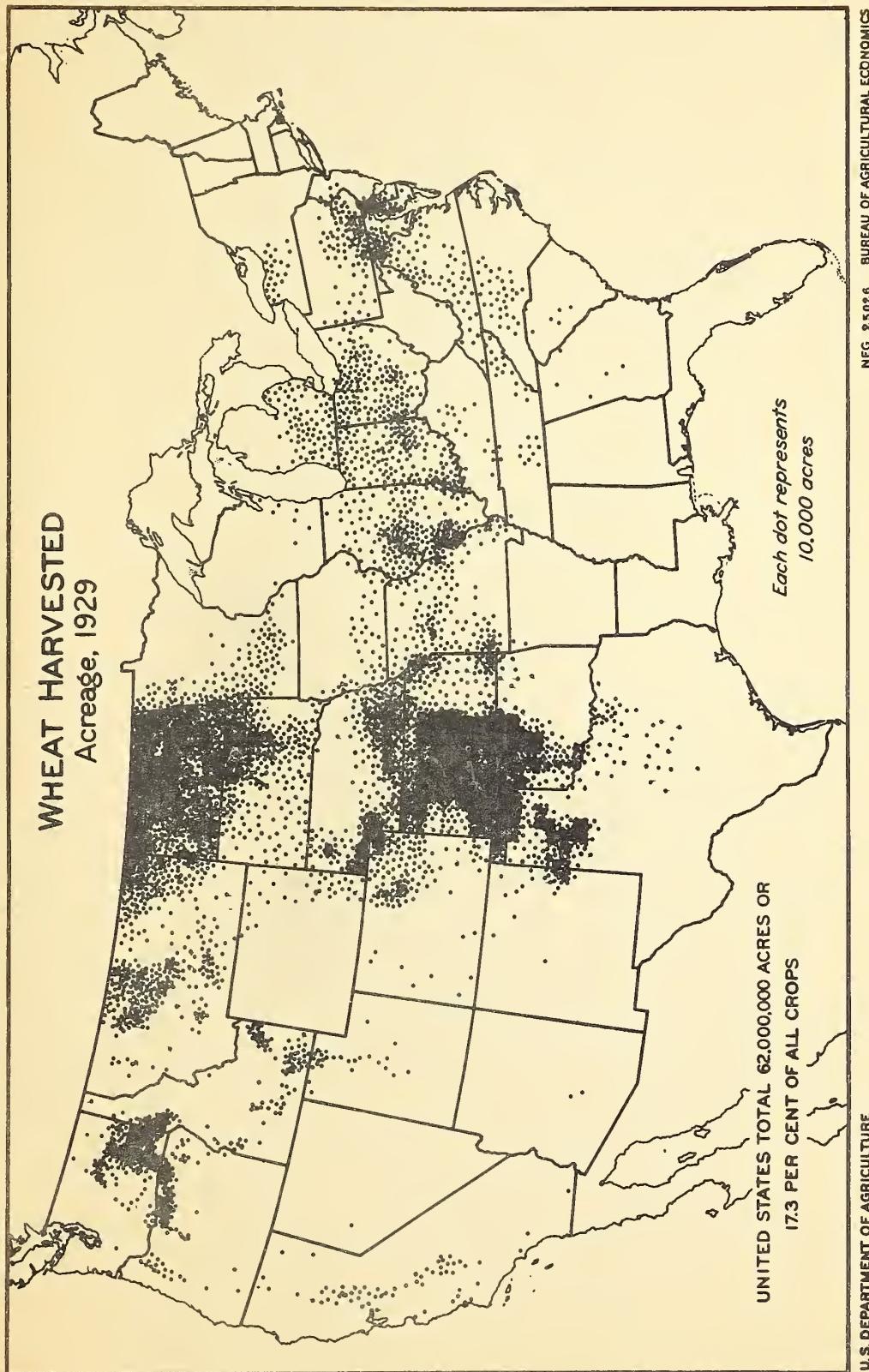
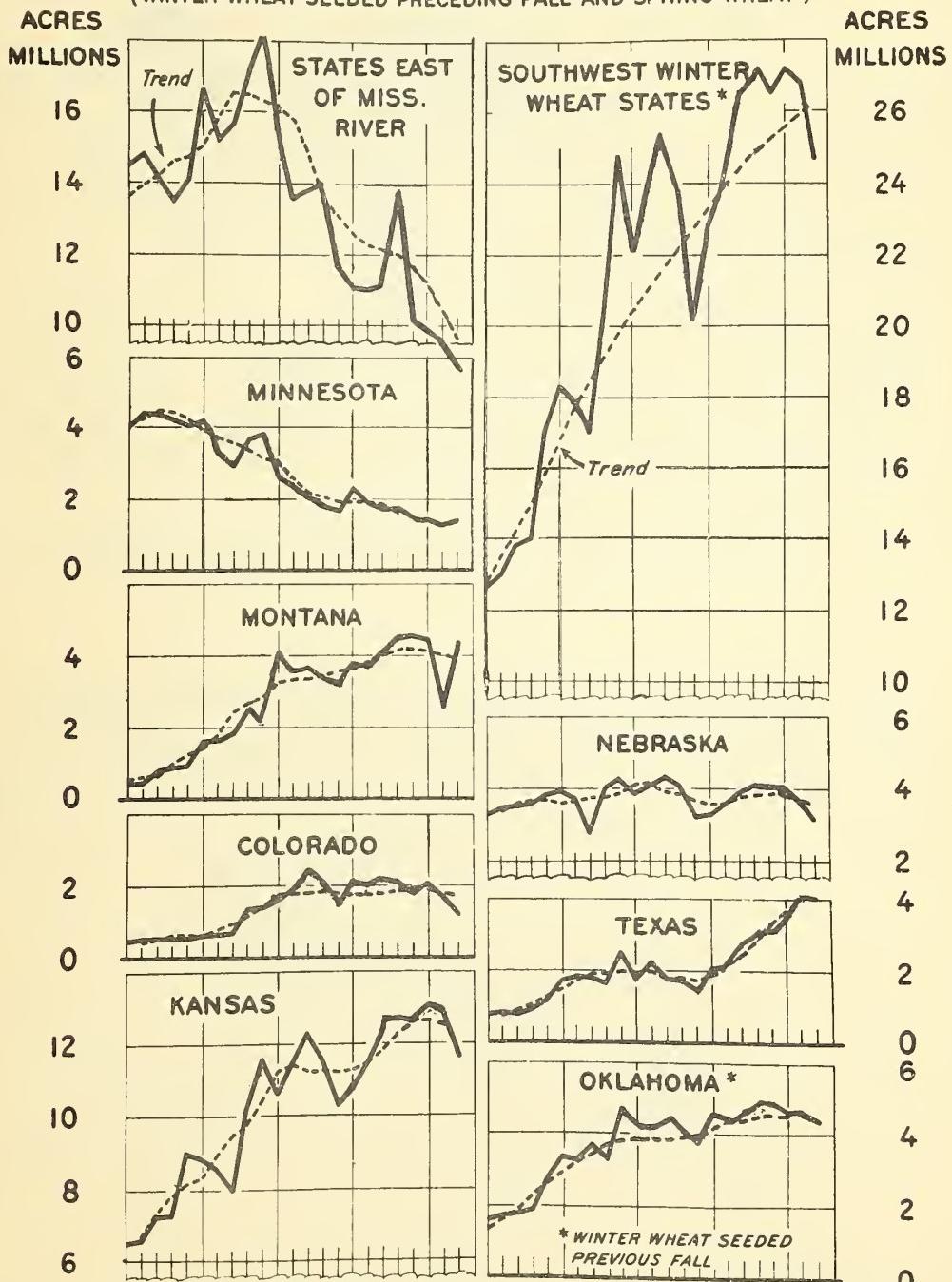


FIGURE I - THE GREATEST AREAS OF WHEAT PRODUCTION IN THE UNITED STATES LIE IN THE
GREAT PLAINS

Wheat Acreage Trends by Regions

(WINTER WHEAT SEDED PRECEDING FALL AND SPRING WHEAT)



* NEBRASKA, KANSAS, COLORADO, TEXAS, AND OKLAHOMA

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FIGURE 2 - THE GREATEST INCREASE IN ACREAGE SINCE 1910 HAS BEEN IN THE HARD WINTER-WHEAT SECTIONS OF KANSAS AND THE SOUTHWESTERN STATES

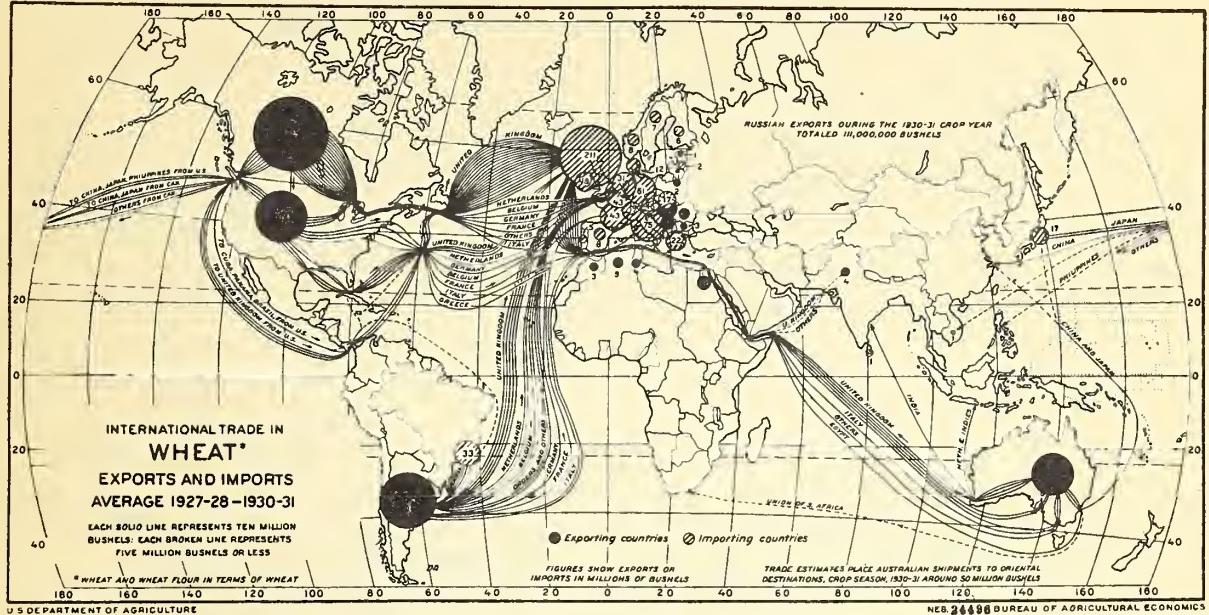
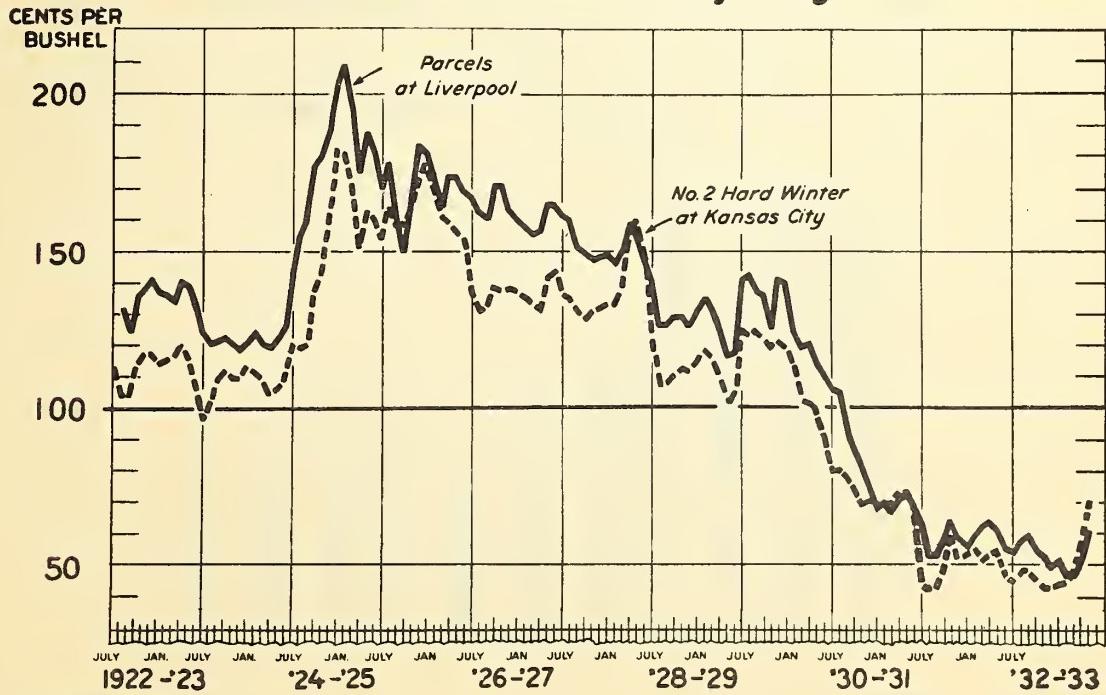


FIGURE 3 - MOST OF THE IMPORTANT COUNTRIES OF THE WORLD EITHER EXPORT OR IMPORT WHEAT. AS A RESULT, WHATEVER HAPPENS TO THE SUPPLY OF, OR THE DEMAND FOR, WHEAT IN ONE OF THESE COUNTRIES AFFECTS WORLD WHEAT PRICES.

Wheat: Average Price of Parcels at Liverpool and No. 2 Hard Winter at Kansas City, July 1922 to Date



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FIGURE 4 - THE PRICE OF AMERICAN EXPORT WHEAT HAS DECLINED WITH WORLD PRICES

Wheat: World Supplies and Price

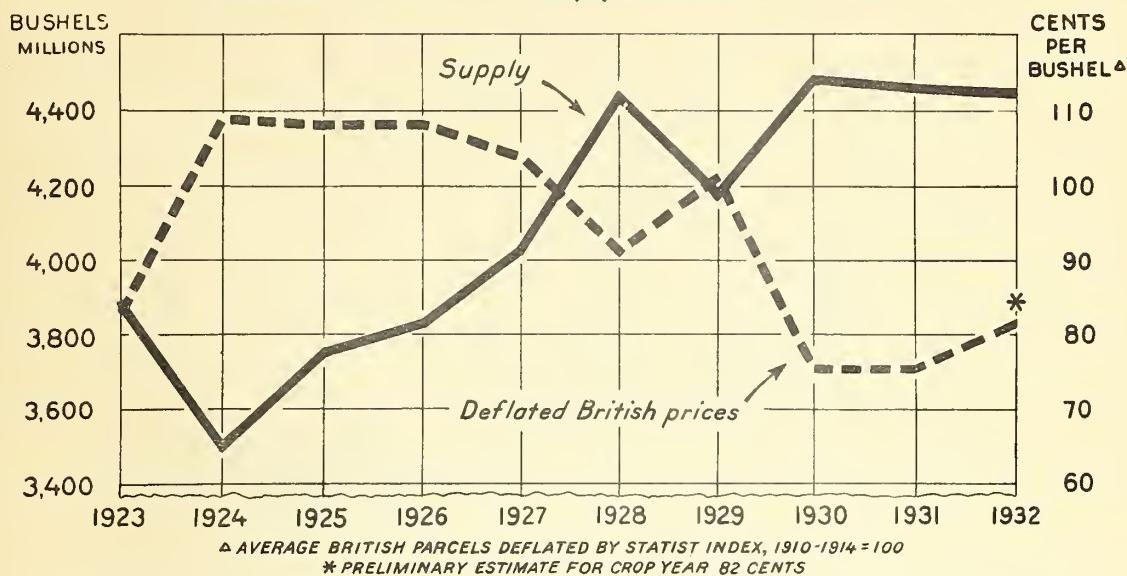


FIGURE 5 - WORLD WHEAT PRICES ARE CLOSELY RELATED TO WORLD SUPPLIES OF WHEAT

Wheat: Stocks in Principal Exporting Countries and Afloat, as of July 1, 1922 to Date

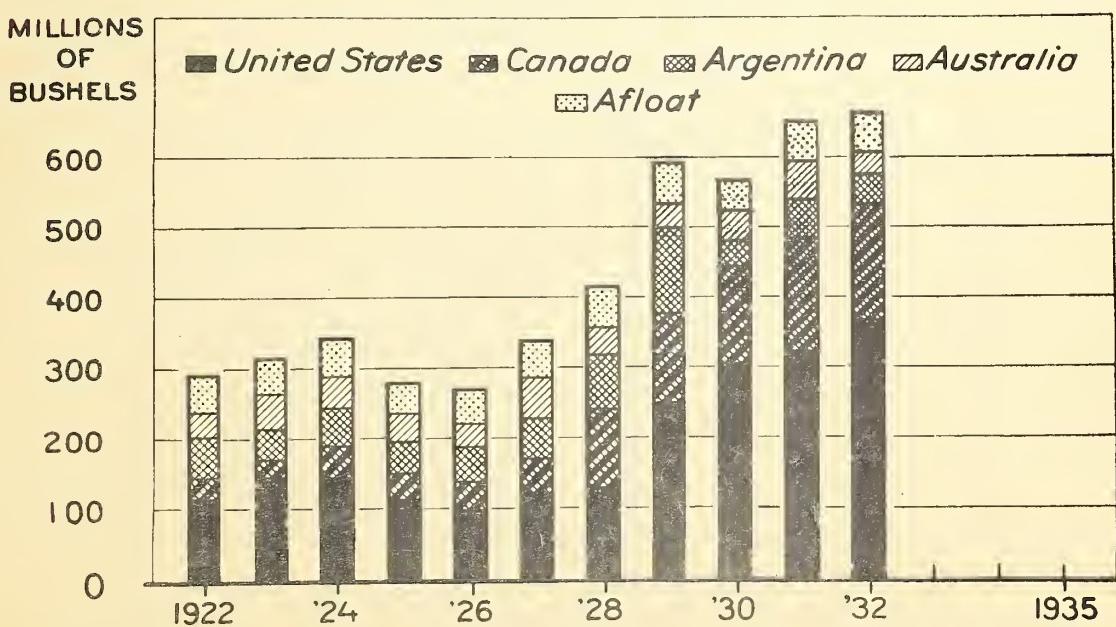
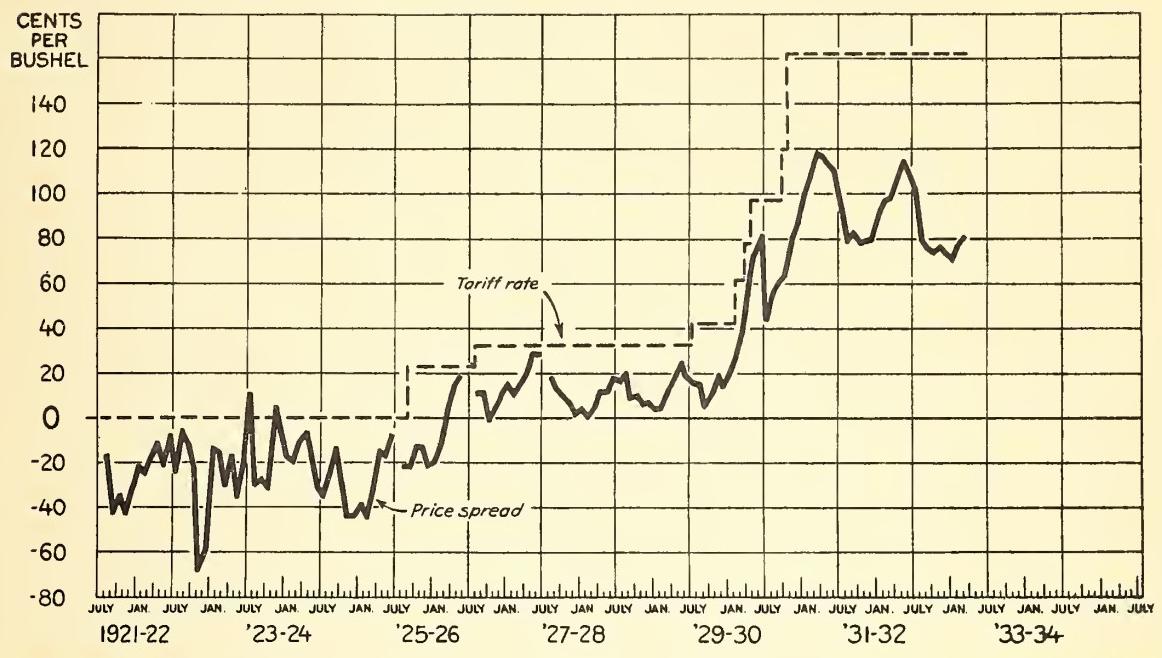


FIGURE 6 - BEGINNING IN 1927 THERE HAS BEEN A MARKED INCREASE IN STOCKS OF WHEAT AVAILABLE AS OF JULY 1 IN THE PRINCIPAL EXPORTING COUNTRIES. RESTRICTED IMPORTS AND INCREASED PRODUCTION HAVE RESULTED IN HEAVIER WORLD CARRY-OVERS

WHEAT: SPREAD BETWEEN PRICES AT BERLIN AND BRITISH PARCELS PRICES COMPARED WITH GERMAN WHEAT TARIFF RATES, 1921-22 TO DATE

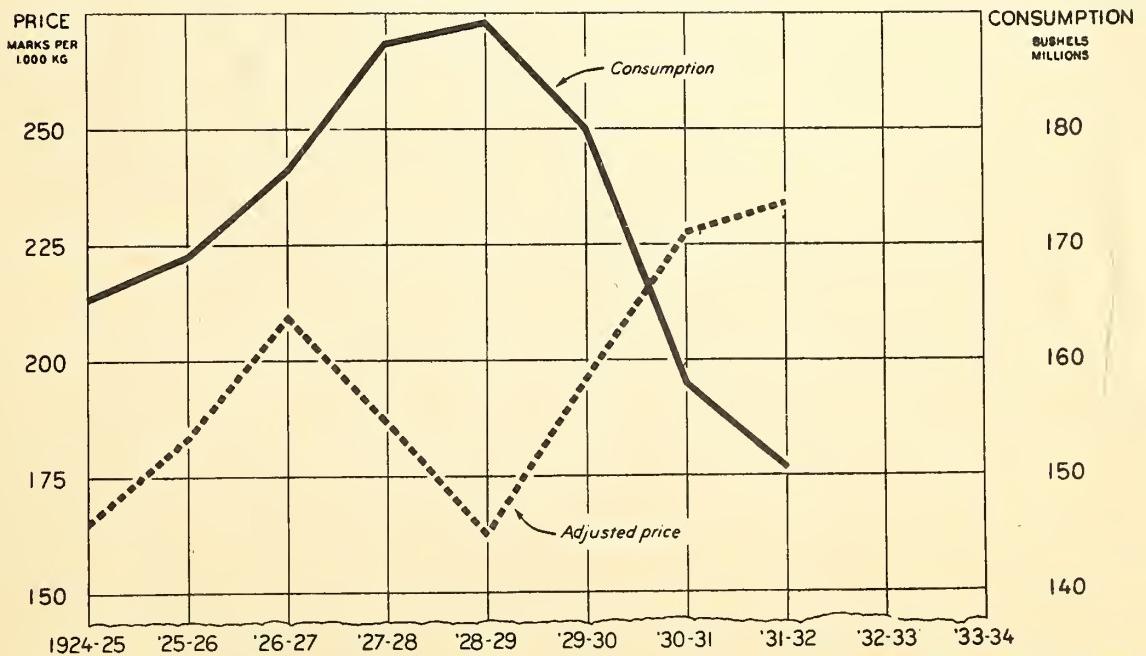


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FIGURE 7 - DURING THE PAST FOUR YEARS IN AN EFFORT TO KEEP WHEAT PRICES FROM FALLING AND TO PROTECT ITS TRADE BALANCE, GERMANY HAS MADE ITS IMPORT RESTRICTIONS VERY DRASIC. PRICES IN GERMANY DURING THE LAST TWO OR THREE YEARS HAVE BEEN ABOUT A DOLLAR A BUSHEL HIGHER THAN THE WORLD PRICE LEVEL

**WHEAT: CONSUMPTION AND PRICE (ADJUSTED BY ALL COMMODITY INDEX)
GERMANY, 1924-25 TO DATE**



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FIGURE 8 - DURING 1930-31 AND 1931-32 WHEAT PRICES IN GERMANY WERE HIGH COMPARED WITH MOST OTHER COMMODITY PRICES. AS A RESULT OF THESE RELATIVELY HIGH PRICES, WHEAT CONSUMPTION IN GERMANY HAS DECLINED GREATLY

